II. RECENT ACHIEVEMENTS

6. From January 1998 to date, the following achievements and commitments were realized through the ICS work programmes:

- More than 65 training courses conducted in specific technical areas to strengthen national capacities in dealing with and mastering advanced technologies;
- More than 60 workshops or awareness-building seminars held to review state-of-the-art of technological innovation and methodologies;
- More than 35 high-level expert group meetings conducted to review and assess technological needs and priority demands;
- Fifty medium-term training fellowships granted to train young experts and involve them and their institutes in specific projects;
- More than 3,000 experts, technologists, industrialists, researchers and decision-makers involved as lecturers or participants;
- Project proposals developed and under promotion, through UNIDO, with international donors;
- Publications, guidelines, training packages prepared and distributed to institutions in developing countries.

7. Among the most visible achievements of the ICS programme during this period has been the technology foresight initiative for Latin America. With the backing of the Italian authorities, it is in its third year of operation. Results expected in 2002, in the form of a productive chain approach in selected industrial areas, will provide the benchmark for similar UNIDO programmes in other regions.

8. The ICS programme for 2002-2005 will entail a budget of $11 million and will be discussed at the next ICS Steering Committee meeting. As originally agreed in resolution GC.4/Res.14, paragraph 1, ICS will be "... financed exclusively by additional voluntary contributions with no legal or financial obligations to UNIDO."

Annex

LETTER FROM THE PERMANENT REPRESENTATIVE OF ITALY

The Permanent Representative of Italy
to the International Organizations
Hoher Markt 8-9
1010 Vienna

Vienna, June 1st 2001

Dear Director-General,

I refer to the Agreement between the Italian Government and UNIDO General Conference, signed on the 9th of November 1993, concerning the institutional duties of the International Centre for Science and High Technology (ICS) in Trieste.

I also refer to the Resolution GC.7/Res.12, adopted by the UNIDO General Conference on the 4th of December 1997, which acknowledges the end by mutual consent of the above-mentioned ICS Institutional Agreement between the Italian Government and UNIDO, as well as the intention of the Italian Government to participate in a three-party Agreement together with UNIDO and UNESCO, with the intention of regulating the activities of ICS in the future.

As you know, the Italian Government had expressed in the past its intention to move the ICS from UNIDO to UNESCO with the purpose to rationalize all the scientific Institutions operating in Italy under the aegis of the United Nations. This purpose was based upon the sole principle of harmonization with similar Institutions working within the framework of UNESCO and was aimed at creating the conditions, in the area of Trieste, for an effective integration between training and research activities in the interest of Developing Countries.

The new opportunities arising from the continuous and fruitful collaboration established in the last three years between the Italian Government and UNIDO, as well as the outstanding achievements due to the excellent policy pursued by UNIDO, have created a new scenario that requires a review of the previous intention to put an end to the ICS Institutional Agreement.

As a matter of fact, according to the Italian Government, the Agreement is still in force since, given the strengthened collaboration between Italy and UNIDO, resolution GC.7/Res.12 has not been followed by concrete steps, such as, in particular, those foreseen by Article X (entry into force, duration, amendments). According to the Italian authorities, resolution GC.7/Res.12 may be considered as a "merely internal act of UNIDO" that could be superseded by a new resolution of the General Conference, without prejudice of the validity of the Agreement itself.

I would be grateful to you if the Italian request could be put in the agenda of the next General Conference of UNIDO.

I take this opportunity, dear Director-General, to renew the assurances of my highest consideration.

[*Signed*]

Vincenzo Manno

[UNIDO/] GC.9/12/ Add.1

Readex
Fiche

Distr.
GENERAL

GC.9/12/Add.1
29 November 2001

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

GENERAL CONFERENCE

Ninth session
Vienna, 3-7 December 2001
Item 14 of the provisional agenda

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY

Addendum

Note by the Secretariat

1. Subsequent to the issuance of document GC.9/12, a letter dated 27 November 2001 was received from the Permanent Representative of Italy concerning the proposal for a Joint Communiqué on the International Centre for Science and High Technology (ICS). The letter is reproduced in annex I to the present document.

2. The Joint Communiqué on ICS was signed by the Permanent Representative of Italy and the Director-General of UNIDO on 29 November 2001, as shown in annex II to the present document.

ACTION REQUIRED OF THE CONFERENCE

3. The Conference may wish to consider adopting the following draft resolution:

"*The General Conference*,

"*Recognizing* that the main objective that motivated the establishment of the Centre—the promotion of and the assistance in the development, selection, transfer and use of technology in favour of developing countries—is still pertinent and valid,

"*Recalling* its resolution GC.7/Res.12 regarding the Institutional Agreement concluded on 9 November 1993 between UNIDO and the Government of Italy,

"*Acknowledging* that during the last four years the activities of the Centre have been implemented under the responsibility of UNIDO as a result of a mutual and close cooperation with the Government of Italy,

"1. *Takes note* of the conclusion on 29 November 2001 of a Joint Communiqué between the Permanent Representative of Italy to UNIDO and the Director-General of UNIDO stating, inter alia, that subsequent to the adoption of GC.7/Res.12 the related work programme of the Centre has been implemented de facto without interruption;

"2. *Also takes note* of the wish of the Government of Italy and of UNIDO to continue such collaboration in the future for which purpose the provisions of the Institutional Agreement will be applied;

"3. Requests the Director-General to present to the General Conference at its next session a report highlighting synergy and relevance of ICS activities in relation to the UNIDO work programme."

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.01-89144 (E)

Distr.: 3 December 2001

Annex I

LETTER FROM PERMANENT REPRESENTATIVE OF ITALY

The Permanent Representative of Italy
to the International Organizations
Hohe Markt 8-9
1010 Vienna

Vienna, 27th November 2001

Dear Mr. Maruno,

I have the honour to refer to your letter dated 5th November 2001 concerning the 1993 "Institutional Agreement" between the Government of Italy and the UNIDO for the ICS in Trieste (point 14 of the provisional agenda of the next General Conference) and containing the proposal of a "joint communiqué between the Permanent Representative of Italy to the UNIDO and the Director-General of UNIDO".

In this respect, I am pleased to inform you that the Italian Ministry of Foreign Affairs has agreed to go along with the above mentioned proposal, which meets the need to continue "de facto", without interruption, the collaboration between Italy and UNIDO regarding the ICS in Trieste on the basis of the provisions of the "Institutional Agreement".

The signing of the "joint communiqué" could take place at your earliest convenience, before or during the next General Conference.

Please accept, Sir, the assurances of my highest consideration.

[*Signed*]

Yours sincerely
(Claudio Moreno)

Mr. Yo Maruno
Managing Director
Investment Promotion and Institutional
Capacity-Building Division
UNIDO
Vienna

Annex II

JOINT COMMUNIQUÉ BETWEEN THE PERMANENT REPRESENTATIVE OF ITALY TO THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION AND THE DIRECTOR-GENERAL OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

The Permanent Representative of Italy to the United Nations Industrial Development Organization (UNIDO) and the Director-General of UNIDO have held consultations with a view to strengthening their collaboration regarding the International Centre for Science and High Technology (ICS). The parties recognize that the main objective, which motivated the establishment of the ICS within the legal framework of UNIDO through General Conference resolution GC./Res.14 of 22 November 1991—the development of the scientific and technological capabilities of developing countries in the creation and application of scientific knowledge—is still pertinent and valid.

By the present communiqué the parties would like to state that subsequent to the adoption of General Conference resolution GC.7/Res.12 of 4 December 1997 the provisions of the Agreement between UNIDO and the Government of Italy concerning the Institutional Arrangements for the ICS signed on 9 November 1993 and its related work programmes have been implemented de facto without interruption. The activities and projects related to the ICS have been the result of a sustained and close cooperation between the Government of Italy and UNIDO. It is the wish of the parties to continue such collaboration in the future for which purpose the provisions of the Institutional Agreement will be applied.

For the Government of Italy:

[signed]

Claudio Moreno
Ambassador
Permanent Representative of
Italy to UNIDO

Vienna, 29 Nov. 2001

For UNIDO:

[signed]

Carlos Magariños
Director-General

Vienna, 29 Nov. 2001

[UNIDO/]
GC.9/13

Readex
Fiche

Distr.
GENERAL

GC.9/13
5 November 2001

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

GENERAL CONFERENCE

Ninth session
Vienna, 3-7 December 2001
Item 9 of the provisional agenda

INDUSTRIAL DEVELOPMENT FORUM

Fighting marginalization through sustainable industrial development: Challenges and opportunities in a globalizing world

Theme paper submitted by the Secretariat

Abstract

Although greater integration through cross-border flows of goods, services and factors may yield higher global efficiency, many countries are at risk of missing its potential benefits entirely. For a variety of reasons, the business sector is the most exposed to the challenges of globalization; it is also the cornerstone of any successful integration strategy. Yet what are the specific challenges faced by firms in developing countries when attempting to enter the global marketplace? And how can these challenges be turned into opportunities for effective integration? These are some of the issues this paper sets out to address. It highlights the complexity and urgency of the challenges faced by developing countries and the need for proactive responses, which will become even more urgent in the coming years as the economic aftershocks of recent events reverberate through the world.

Introduction

1. As part of a continuous effort to stimulate a substantive discussion on the evolving role of UNIDO and its contribution towards the achievement of international development objectives, the Industrial Development Forum will be held under the theme *Fighting marginalization through sustainable industrial development: Challenges and opportunities in a globalizing world*.

2. Previous global forum events organized by UNIDO have highlighted the need to address the missing links in the current international development agenda and have emphasized, in broad terms, the complementary measures that need to be taken. While the continued importance of industry for furthering socio-economic development, particularly in this era of increasing economic integration and liberalization, has been argued in past events, the present development reality requires us to move on and examine more carefully how industry can serve as a dynamic force in bringing about a process of sustainable development. Thus, the Forum is intended to explore ways through which UNIDO can assist countries in gradually integrating into the world economy and thus maximize its contribution to reversing the process of marginalization.

3. While there is broad agreement that the economic reform programmes initiated by developing countries and economies in transition have done much to connect countries to international trade and investment flows, it is at the same time acknowledged that these programmes have been insufficient to translate this progress into sustainable productivity growth. As a result, widespread public support for economic reform

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.01-88280 (E)

Distr.: 7 November 2001

has been waning, particularly in those countries that have failed to link up effectively with the international economic system and reap the benefits of liberalization. UNIDO has for some time now pointed to the need to update the international development agenda and make globalization a win-win proposition for all countries. The Organization has argued that, along with the urgent need to address present imbalances in the trade and financial rules of the multilateral system, the inadequate flows of information, skills and knowledge to and within developing countries also need to be dealt with. Thus, new measures are required to provide dynamic private enterprises in developing countries with access to the information, technology, skills and knowledge that they require to connect them with the global economy.

4. The task of updating the development agenda in such a way that it enables the international community to address the key dimensions of development (economic growth, productivity, social equity, poverty reduction and environmental protection) is a major undertaking. As such, it can only be conceived as a joint effort of all multilateral institutions, including UNIDO, which has a very significant role to play in this effort. Along with other international organizations, UNIDO needs to continue exploring the best ways of assisting Governments and the private sector to cooperate in fostering the mobilization of national as well as external resources for economic and social development.

5. Industry can make a particularly important contribution to growth and to the rise of incomes and the reduction of poverty in the developing world because:

- It is the main engine for improving the economic structure of developing countries from sectors with low growth and low productivity to those with high productivity and a growth potential;
- It is the most effective user and carrier of technology to the economy;
- It creates skills, knowledge, entrepreneurship and innovation;
- It promotes social mobility, is an important source of employment and generator of incomes, and acts as a powerful magnet for attracting external resources for development.

6. In most developing countries industry has historically had to depend to a large extent on local factors and capabilities. A rapidly globalizing world, however, relies in ever-larger measure on internationally mobile—and, at times, volatile—resources. Particularly in the case of the least developed countries, development strategies have to cope with new challenges stemming from the difficulties to attract and retain these resources and to combine them with upgraded domestic resources.

7. The international community has adopted a set of norms and conventions that are meant to speed up globalization and, at the same time, address some of its risks. This has often resulted in the setting of higher standards, which, if not addressed properly, might aggravate trends towards the marginalization of the stragglers in the globalization process. However, firms in developing countries are often able to adopt proactive strategies that allow them to transform challenges in such areas as environment and quality into opportunities.

Panel I. Economic and social development: How best can industry contribute to fighting poverty?

8. A substantial reduction of poverty throughout the world, which is now regarded as the overarching goal of international cooperation for development, is attainable only with sufficiently high rates of economic growth in the developing countries. Given what we know about the growth process, manufacturing industry has an important role to play in bringing about such growth. What remains to be examined in detail, however, are the ways in which industrial growth in the developing world is to be fostered, given the aforementioned central goal and present circumstances. Regarding the goal, the quality—and not just the rate—of growth also matters. The pattern of growth needs to be well suited for a significant reduction of poverty and inequality. The required growth and development need to be realized under conditions of a rapid and multifaceted integration of the global economy. This will be further complicated in the coming years by the economic aftermath of the recent international events.

9. Globalization is characterized primarily by steadily intensifying flows of goods, services, resources, knowledge and information. While these flows potentially span the globe, participation in them is in no way guaranteed in the same measure to all economies around the world. On the contrary, significant forces of agglomeration forces seem to be at work, which appear to be largely beyond the scope of policy and are concentrating the benefits of globalization in some parts of the globe whilst leaving others marginalized. The development objective is largely aimed at counteracting such adverse trends.

10. Opportunities to connect with and benefit from the various forms of international flows depend in large measure on local conditions, including resource endowments and policy orientation. Local conditions—including those related to trends in social development and capacity-building—are being transformed rapidly

due to the impact of globalization and the international flows associated with it. In sum, the objective of a substantial reduction of poverty worldwide calls for deliberate efforts to connect economies to international flows and to ensure positive outcomes of the interaction between such flows and local factors.

11. The topics chosen for discussion in Panel I are best seen in the context of what is currently known about the nature and the sources of economic growth. A central piece of this knowledge is the link between poverty reduction and growth as mediated by productivity—since it is productivity gains that allow better living standards. But how is growth associated with productivity gains in developing countries? And which is the main force behind growth: factor—in particular, physical capital—accumulation, sector- and plant-specific efficiency gains, or shifts to higher-productivity activities? Of course, growth draws on advances along all three of these avenues. But their respective contributions may vary according to time and place and, in particular, according to the local circumstances of industrial development.

Technology

12. Current methods of measuring productivity change usually draw a dividing line between the influence of quantity and quality of factors of production and sizeable "unexplained" elements. With regard to the latter, productivity increases are perceived as technological progress as a key source, which in turn is strongly influenced by institutions and the incentive framework.

13. In the context of developing country growth, the basic distinction needs to be made between access to new technology through various channels on the one hand and its adoption, adaptation and efficient use on the other. The processes of adapting the relevant best practices, technology diffusion and improving technical efficiency, as well as the associated learning processes, figure prominently.

14. While in comparisons of growth performance across countries the dimensions of innovation and efficiency are pertinent, for developing countries the discussion usually centres on diffusion and efficiency and on efforts that are essential to them. Policy decisions need to be informed by knowledge about which of these efforts are most cost-effective under given local conditions. As a general feature, such decisions will involve combining measures that facilitate access to international flows of technology with those that support the complex processes behind its adoption, adaptation and efficient utilization.

15. While the diffusion and efficient utilization of technology thus represent a critical determinant of growth and development, the empirical record shows that the rate at which this has occurred has varied sharply from country to country. Even in the current era of globalization, which has undoubtedly facilitated and accelerated the spread and adoption of technology throughout the world, many less developed countries have been bypassed by this process. Proactive efforts to promote the spread of modern technology to the relatively disadvantaged countries, and its effective absorption by them, are therefore called for. These efforts include the establishment of specialized programmes to encourage technology diffusion, as well as technology foresight initiatives for the continuous assessment and monitoring of technology development and application in developing countries. In addition, these countries should also be given increased access to such advanced technologies as information and communications technology and biotechnology, which will play an important role in supporting economic development in years to come.

Investment and trade

16. Technological development in the developing world crucially depends on international flows of technical knowledge—as it does on costly domestic technological effort. With respect to growth and economic development at large, an argument of similar strength and plausibility applies to the role of international flows of goods and capital. These flows are assuming added and increasing importance also as channels for the transfer of new technology. All three types of international flows—knowledge, capital and goods—are expected to make important contributions to increased productivity and hence to growth.

17. Among investment flows, foreign direct investment deserves special attention as it represents one of the most effective ways for countries to access foreign resources, particularly technology, managerial expertise and skills. Viewed in a development perspective, the main problem with these flows lies in their high concentration among countries, both by source and destination. Low-income countries, in particular, seem to be increasingly marginalized also with respect to international investment activity. Areas for corrective policies include labour skills, technological capabilities, infrastructure and various kinds of transaction costs.

18. Trade in goods is one of the various channels through which technology can be transferred between countries. From this derives an argument for why openness and the resultant rise in the volume of trade are likely to make a significant contribution to growth. Another plausible argument for a positive trade-growth link has to do with the learning- and growth-enhancing effects of a drive towards exports. Exposure to increased competition in international markets usually

leads to improvements in the performance of exporting firms or industries.

19. Addressing the role and quality of openness in fostering competitiveness helps to sharpen the focus on these two key aspects of trade without creating frictions between them. Rather, only by combining appropriate international market access and domestic efforts to enable firms to succeed in these markets can the desired growth-enhancing effects be realized. This is particularly true for manufacturing, where increasing competitiveness has to be conceived as a broad and complex goal, which, also for this reason, attracts much attention on the part of analysts and policy makers.

Panel II. Global norms and local manufacturing: Challenges and opportunities

20. The stabilization and adjustment programmes of the early 1980s were predicated on the expectation that greater exposure to international flows of goods, services and factors would trigger faster domestic growth. At the same time, however, there was an increased awareness of the potentially adverse consequences of economic liberalization: faced with stronger competitive pressures, a firm would be faced with the dilemma of either undertaking risky investments to upgrade its product lines and process technologies or shifting towards more commodity-like, lower value-added, products—if it was to stay in business at all. Concurrently, the increasing application of international norms and conventions on quality and environment would leave it with an ever-narrowing scope to compete on low quality, low wages and environmental depredation. While these norms and standards were almost invariably introduced with the intention of promoting positive outcomes, such as public safety and health, environmental protection and economic stability, they also restrained the capacity of developing countries to take the low value-added path to global integration.

21. These trends are facets of the same phenomenon. They underline the uphill struggle faced by policy makers in developing countries in their endeavours to stimulate the mobilization of domestic resources, along with the integration of their economies into international investment, technology and trade flows. This Panel will therefore concentrate on the role of international norms, and assess their impact on the growth of manufacturing industry in developing countries: did they, in effect, further marginalize developing countries, or did they, on the contrary, help them join the mainstream of global integration? Much of the answer depends on how firms in developing countries have managed their integration process into regional and global markets, and how they have coped with associated international norms. Empirical evidence reveals a continuum of responses from a strictly passive compliance to international norms, which are then perceived as a constraint, to the proactive adoption of a strategic stance to take advantage these new rules of the game.

Environment

22. Global cooperation for the preservation of the environment has been encouraged and supported by various means and forums. These range from international conventions—such as those on climate change to support sustainable energy options; biodiversity to ensure the conservation of species; and the Montreal Protocol to phase out ozone depleting substances (ODS)—to the demonstration effect of cleaner production centres where upgraded production processes and energy efficiency measures are shown to satisfy environmental and economic concerns. In this respect, the current ratification of the Stockholm Convention on Persistent Organic Pollutants (POPs) opens both challenges and opportunities for firms in developing countries to support the international sustainable development agenda, which clearly calls for a close relationship between productivity, competitiveness and environmental compliance.

23. Indeed, implementation of the international environmental conventions could radically alter the payoff structure of firms in developing countries: those that do not take timely steps to comply with the binding regulations will see their markets shrink considerably; manufacturing processes and technologies will need to be upgraded; competition and best practice patterns will evolve in ways that are a priori difficult to fathom, let alone foresee. On the other hand, as for any such international protocol based on the recognition that the planet is a common heritage, significant resources and technology will need to be made available by industrialized countries to ease the adjustment in the developing world. Building partnerships and strengthening cooperation will be key to the successful implementation of various international protocols to preserve the global environment.

Quality

24. Quality is regarded by manufacturing firms as a strategic variable, along with price and customer service, and made into a specific marketing argument. It becomes a particular attribute of a manufactured good that, together with other features, determines the price of the product on a given market. This suggests the existence of a trade-off between price and quality: higher quality would command a higher price, or appeal to a different market. There is, in other words, no compelling requirement for developing countries to produce manufactures of the highest possible quality, although minimum standards t are required, particularly in the food and pharmaceutical industries, where low standards easily translate into health hazards. But there

are certainly solid economic reasons for them to move up the quality ladder in manufacturing output, as it expands market horizons and allows them to improve their terms of trade.

25. As in the case of environmental standards, the responses of firms in developing countries to the technical regulations and standards imposed in external markets can be erratic or systematic. The erratic reaction merely aims to ensure that particular products and underlying manufacturing processes satisfy international norms. It often causes firms in developing countries to suffer a temporary squeeze of their profit margins because their investment in the advanced equipment and higher skills needed to meet the new standards does not yield a return in the short term, but only generates dividends once the firm has successfully penetrated new markets. By contrast, a systematic approach involving the introduction of advanced quality management techniques enhances the ability of firms in developing countries to conform to ever-more stringent standards, and to achieve more rapid and environmentally sustainable productivity increases. In addition, it yields immediate social benefits, for instance in areas where low quality can turn into a health hazard.

26. The adoption of such a systematic stance towards international quality standards and market requirements by firms in developing countries is predicated upon their having access to appropriate facilities in the areas of standards, metrology, testing, conformity assessment, quality and productivity. This requires the developing countries concerned to establish and maintain significant institutional capacities in these fields, which in turn require considerable investments in both physical and human capital. These investments, which in many cases will only be possible with external support, could thus play a critical role in enabling developing countries to benefit from the opportunities of integration into global value chains offered by the process of globalization, rather than being marginalized by it.

Conclusion

27. This paper has attempted to show that it is possible, and indeed essential, to ensure that the globalization process and the concomitant development of international standards become an effective instrument for poverty reduction and for uplifting the economic and social standing of the most deprived sectors of society. It has also sought to show that industrial development can make an important contribution in this connection. In particular, this objective can be achieved through two distinct approaches: Firstly, through efforts to broaden the range of the international resource flows that enhance the value of domestic resources; and, secondly, through a systematic response to the increasing number of international norms in order to turn the challenges they pose into opportunities.

[UNIDO/]
GC.9/14

Readex
Fiche

Distr.
GENERAL

GC.9/14
16 November 2001

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

GENERAL CONFERENCE

Ninth session
Vienna, 3-7 December 2001
Item 11 of the provisional agenda

MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005

UNIDO involvement in major international conferences

Note by the Director-General

Summarizes UNIDO follow-up to LDC III and highlights inputs to two forthcoming conferences (Financing for Development and the World Summit for Sustainable Development).

Introduction

1. At its twenty-third session, the Board adopted decision IDB.23/Dec.10 on UNIDO involvement in LDC III (the Third United Conference on the Least Developed Countries). While focusing mainly on LDC III, the Board in the same decision also encouraged UNIDO to actively participate in its field of competence in the international development debate and to strengthen cooperation with other relevant organizations and agencies, and requested the Director-General to keep Member States apprised of progress achieved.

2. The present document therefore provides a brief summary of follow-up to LDC III and summarizes UNIDO's involvement in the preparations for two major conferences to be convened in 2002:

- International Conference for Financing for Development (FfD) (Monterrey, Mexico, 18-22 March 2002)
- World Summit on Sustainable Development (WSSD), also known as the Johannesburg Summit 2002 or Rio + 10 (Johannesburg, South Africa, 2-11 September 2002)

I. THIRD UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES
(Brussels, Belgium, 14-20 May 2001)

3. The Third United Nations Conference for Least Developed Countries (LDC III) convened under the sponsorship of the European Union, resulted inter alia in the "Brussels Declaration", including the adoption of the new Programme of Action for the LDCs for the decade 2001-2010. It stressed the importance of "an effective follow-up to the conference at the national, regional and global level" and asked the United Nations Secretary-General to ensure that the Conference be followed-up in an efficient and highly visible manner.

4. During the fifty-sixth General Assembly session, the Second Committee will discuss on follow-up to LDC III based on a report by the United Nations Secretary-General, including specific mechanisms that recognize the primary responsibility of LDCs themselves but also the need for a coherent and proactive

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.01-88705 (E)

Distr.: 21 November 2001

United Nations system engagement to assist LDCs to implement the programme of action and mobilize increased attention and support by the international community in the common fight against extreme poverty.

5. UNIDO reported to the Board at its twenty-fourth session on the active role played in LDC III, in particular through its role as lead agency for the Thematic Session on Energy and the preparation of various "early deliverables" (IDB.24/16/Add.1), in close cooperation with its United Nations partners and various Member States—LDCs as well as European Union countries (such as Austria). The present document briefly describes the pro-active follow-up developed by UNIDO since that time and some lessons learned and suggestions for effective follow-up.

A. Specific follow-up

6. On the **energy** front, good progress has been made. Renewable energy projects promoting solar, wind and biomass in rural areas have been formulated for five countries (Bhutan, Ethiopia, Gambia, Ghana and Zambia) and will be submitted for GEF funding. One project (Zambia) has already been approved by GEF. The multifunctional platform programme is being developed in many villages of several LDCs (e.g. Burkina Faso, Guinea, Mali, Senegal) in close partnership with UNDP.

7. With a financial contribution by the Austrian Government, UNIDO and UNCTAD will jointly host a conference in Vienna in January 2002 on efficient hydrocarbon pricing and procurement and managing oil price volatility in LDCs. While the lead responsibility lies with UNCTAD, UNIDO will contribute on the subject of energy and competitiveness.

8. UNIDO has also been achieving promising results on another front that relates both to commitment 4 (Building **productive capacities** to make globalization work for LDCs) and commitment 5 (Enhancing the **role of trade in development**), through a large-scale programme entitled "Enabling LDCs to participate in international trade", which was formally presented in Brussels as a deliverable at the Thematic Session on International Trade, Commodities and Services.

9. Within the framework of this initiative, the European Union has funded a regional programme for the UEMOA countries in West Africa (8 countries, of which 7 are LDCs: Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal, Togo), with an estimated contribution of €12.5 million. Implementation has started and will cover a period of three years. A special feature of the programme is the substantive participation of ITC. Parallel to the UEMOA programme, UNIDO has started consultations with SADC countries in respect of a similar programme, in which WTO will be an active partner to deliver advisory services related to the Technical Barriers to Trade agreement. UNIDO has also received funding from Germany to prepare a full-fledged programme for trade facilitation for the non-UEMOA African LDCs from the ECOWAS region (Cape Verde, Gambia, Guinea, Liberia, Sierra Leone).

10. Through LDC III and the programme development undertaken in the context of this "deliverable", a strong momentum has been triggered in terms of reaching out and involving other agencies in the field of trade facilitation. In the context of the High-Level Committee on Programmes, which is chaired by the Director-General of UNIDO, the Organization has invited other agencies, such as UNCTAD, ITC, WHO, FAO, and WTO, to come on board, with a view to developing a truly inter-agency approach to trade facilitation.

11. One of the striking features of this effort is the inter-agency collaborative aspect. As mentioned above, ITC is now involved in the UEMOA/EU/UNIDO programme in West Africa, and WTO will be involved in the similar programme for SADC countries. UNIDO is also actively participating in the Multi-Agency Programme on Investment Promotion, together with UNCTAD, FIAS, MIGA, initiated in four LDC pilot countries (Cambodia, Mozambique, Uganda and United Republic of Tanzania).

B. Lessons learned

12. Beyond the priority given by UNIDO to follow up the new Programme of Action, through the LDC III process UNIDO has learned some specific lessons to share with Member States and other concerned agencies. First, the situation of many LDCs has become more difficult since Brussels and recent world events. There is a growing gap between the objectives of the Programme of Action and reality confronted by each LDC, and this problem has to be addressed collectively, in terms of strategic priorities, realistic targets and monitoring mechanisms. Second, the partnership approach followed to prepare for Brussels, with the LDCs themselves and also with the European Union, was very fruitful and should be actively pursued and expanded. Third, the country level is of paramount importance for effective follow-up. The United Nations will have to strengthen its coordination and action, in the framework of the Resident Coordinator System, of the national poverty strategies and common tools such as CCA/UNDAF. Fourth, one of the most valuable outcomes of LDC III was the recognition of the critical importance of "building productive capacities to make globalization work for LDCs" (Commitment 4 of the Programme of Action), and of an integrated approach to trade, where supply-side, industrial and trade dimensions are balanced and in synergy. This represents a most positive step in the international recognition of

UNIDO's relevance and mandate at the beginning of the twenty-first century.

13. Finally, as far as African LDCs are concerned, it is important to consider the New Partnership for Africa's Development (NEPAD) as the overarching global policy framework developed and owned by African leaders when implementing the Brussels Programme of Action.

14. In accordance with the Business Plan and the Brussels Programme of Action, UNIDO will strengthen its attention to and cooperation with LDCs in the medium term, 2002-2005, as already demonstrated by the active follow-up undertaken since May 2001. This will require a closer and effective partnership within the United Nations system and with Member States themselves, including LDCs, given the daunting challenges faced and the absolute necessity to promote approaches that will ensure that their populations can also share the fruits of the globalization process.

II. INTERNATIONAL CONFERENCE FOR FINANCING FOR DEVELOPMENT
(Monterrey, Mexico, 18-22 March 2002)

15. Extensive preparations for FfD have taken place over the last two years, including regional consultations with Member States as well as with the private sector and non-governmental organizations. However, the first comprehensive overview of substantive coverage of the Conference was made available through the report of the United Nations Secretary-General to the (second) Preparatory Committee for the Conference.

16. In response, UNIDO participated in the second meeting of the Preparatory Committee in February 2001, and presented a short statement underlining the importance of strengthening productive capacities in developing countries, the issues involved in accessing international markets, focusing on the quality and conformity assessment aspects, and foreign direct investment—preferably of the enterprise-to-enterprise type. UNIDO's focus on these activities, mainly through the integrated programmes was highlighted.

17. Following this meeting, and in preparation for the third meeting of the Preparatory Committee, UNIDO prepared two notes: "Enabling developing countries to participate in international trade" and "Venture capital for industrial development". These were submitted to the Conference secretariat and distributed in early October 2001 to all UNIDO Member State representatives in New York via e-mail, under cover of a letter from the Director of the UNIDO Office in New York.

18. It may be noted that these two initiatives were in the meantime also presented to LDC III, where both were included in the official database of the Conference.

19. Finally, UNIDO participated in the third meeting of the Preparatory Committee, which took place in New York from 15 to 19 October 2001. UNIDO made two statements in the informal debate under the chapters "Foreign direct investment and other private flows" and "Trade", referring to and introducing the contributions presented in the two notes. The letter mentioned in paragraph 3 above and the two notes were distributed to all delegations. The statements and notes are available on the UNIDO web site (www.unido.org/doc/451676.htmls).

20. UNIDO intends to continue its active participation in the preparatory process, including the third and last meeting of the Preparatory Committee in January 2002 and to promote the two contributions. However, the Secretariat is not waiting for the Conference to start implementing these initiatives, which are also being promoted to donors. Activities under both headings are well under way.

III. WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT
(Johannesburg, South Africa, 2-11 September 2001)

A. Background: The WSSD process

21. The 10-year review of progress achieved in the implementation of the outcome of the United Nations Conference on Environment and Development (UNCED, Rio de Janeiro, 1992) will be organized at the summit level to reinvigorate the global commitment to sustainable development in September 2002.

22. According to General Assembly resolution 55/199 of 20 December 2000, the review should "focus on the identification of accomplishments and areas where further efforts are needed to implement Agenda 21 and other outcomes of the UNCED".

23. Preparations for WSSD are under way at the national, regional and global levels:

- At the **national** level, Governments are encouraged to prepare national reports on progress achieved and challenges encountered.
- At the **regional** level, round tables of eminent persons were conducted throughout 2001. Building, inter alia, on their findings, regional ministerial preparatory meetings were facilitated by the respective regional commissions.
- For preparations at the **global** level, the General Assembly decided that "the meetings of the tenth session of the Commission on Sustainable Development (CSD-10) shall be transformed into an open-ended preparatory committee". Its first and second substantive meetings (in January/

February and March 2002) will undertake a comprehensive review and assessment of progress achieved and agree on the text of a document containing the results of the review and assessment, as well as conclusions and recommendations for further action. Drawing on the agreed text of such a document, the third and final substantive preparatory session, to be held at the ministerial level in May 2002 in Indonesia, will prepare recommendations for further consideration and adoption at the 2002 Summit.

B. UNIDO involvement in preparatory activities

24. UNIDO is actively contributing to the preparations at all three levels. At the **national** level, UNIDO is working with a number of developing countries in the context of the elaboration of national reports with a view to properly capturing the specific contribution of industrialization to the sustainable development of the respective country.

25. UNIDO participated in all the **regional** preparatory meetings, disseminated statements tailored to the particular challenges of the regions, and networked with other stakeholders.

26. For the African region, UNIDO's engagement resulted in the inclusion of a distinct chapter on industrial development in the ministerial statement, deploring the narrow industrial base and the declining performance of the manufacturing sector over the last decade which results in the "de-industrialization" of Africa. The ministerial statement calls upon the international community to assist in enhancing the industrial productivity and competitiveness of African industries through combinations of appropriate financing and technological support services, to promote the development of micro, small and medium enterprises with special focus on agro-industry as provider of sustainable livelihood for rural communities and to support multilateral and regional organizations in their effort to promote industrial development in Africa.

27. At the **global** level, UNIDO intervened in the deliberations of the Second Committee under the relevant agenda item to brief delegations in New York on UNIDO's participation at the regional level and to express UNIDO's readiness to participate fully and constructively in the global preparatory process.

C. Looking ahead: UNIDO's planned contributions

28. As mandated by the General Assembly, the global preparatory process will start with a general stocktaking exercise of progress achieved since Rio and challenges encountered. Only once the stocktaking has been concluded and agreement on the assessment achieved, is the international community to move forward to determine future courses of action. UNIDO stands ready to participate actively in the stocktaking exercise.

29. While it cannot be desirable for UNIDO to get ahead of the intergovernmental assessment, it is at the same time necessary to build alliances and prepare initiatives in such a timely manner that they can come to fruition at the Johannesburg Summit. UNIDO is working with diligence in the areas of its comparative advantage, such as waste management, energy for sustainable development and technology transfer.

30. UNIDO has been leading the efforts of the United Nations system in the past in the area **of solid waste management**—a role recognized and endorsed by the Environment Management Group. UNIDO will seek to further develop these activities, in the context of WSSD, in cooperation with other relevant organizations and entities.

31. **Energy** is a key global issue on the international agenda for sustainable development. UNIDO will promote the inclusion of energy issues in the WSSD process in line with its own energy programme, which focuses on assisting countries in (a) formulating energy policies to reduce greenhouse gases and thereby mitigate climate change; (b) increasing energy efficiency on both the supply and demand side; and (c) promoting the application of renewable energies.

32. Together with financial resources and capacity-building, technology transfer has been clearly identified in Agenda 21 as one of the main means of implementation. Technological innovation will play a crucial role in any movement towards greater sustainability. UNIDO is working on concrete steps in the context of a broader initiative to help in assessing needs and facilitating cooperation for technology transfer.

33. Finally, it is clear that UNIDO's involvement in LDC III has impacted significantly on the evolving role of the Organization in WSSD, particularly in the energy sector. Similarly, it is anticipated that the achievements of the International Conference on Financing for Development will have a great bearing on the unfolding of the WSSD process. As discussed in chapter II above, UNIDO is participating actively in FfD preparations, and its contributions in the area of trade facilitation and venture capital for sustainable development have been recognized as valuable by stakeholders from developed and from developing countries.

IV. ACTION REQUIRED OF THE CONFERENCE

34. The Conference may wish to take note of the information provided in the present document.

[UNIDO/]
GC.9/15

Readex
Fiche

Distr.
GENERAL

GC.9/15
16 November 2001

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

GENERAL CONFERENCE

Ninth session
Vienna, 3-7 December 2001
Item 13 of the provisional agenda

THE REGIONAL DIMENSION

Fifteenth Conference of African Ministers of Industry

Note by the Director-General

Summarizes the outcome of the Fifteenth Conference of African Ministers of Industry.

Introduction

1. The Fifteenth Conference of African Ministers of Industry (CAMI) and its subsidiary organ, the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa met in Yaounde, Cameroon, from 25 to 30 October 2001. The main objective of CAMI XV and the Intergovernmental Experts' Meeting was to review the progress made towards the industrialization of the African countries since the last CAMI XIV.

2. In addition, the Conference identified new long-term strategies and mechanisms to promote industrialization to facilitate Africa's participation in the global economy and decided on the reorientation of CAMI.

3. In conjunction with CAMI XV, the third Private Sector Forum was also held from 22 to 24 October 2001. The objective was to promote dialogue between the public and private sector and to facilitate a working partnership between CAMI and various private sector organizations towards the expansion of industrial output in the region.

4. CAMI was attended by representatives of 29 African countries with the participation of 15 Ministers and Vice Ministers. In addition, four European countries attended as observers. A number of subregional and intergovernmental institutions participated in the meeting, including representatives of the private sector and civil society organizations.

5. A new Bureau of the Conference, composed of the following countries was elected:

President	Cameroon (Central Africa)
First Vice-President	South Africa (Southern Africa)
Second Vice-President	Morocco (Northern Africa)
Third Vice-President	Madagascar (East Africa and Indian Ocean)
Rapporteur	Nigeria (West Africa)

6. The Ministers of Industry of Côte d'Ivoire and Senegal were designated members of the Bureau in their respective capacities as Chairperson of the Steering Committee of the Alliance and outgoing President of CAMI in order to provide continuity.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

I. MAIN CONCLUSIONS

7. The Conference noted the six papers presented:

- Strategies and Mechanisms for the Industrial Development of Africa (UNIDO);
- Sustainability of CAMI (UNIDO);
- Progress report on the Alliance for Africa's Industrialization (UNIDO);
- Opportunities for and challenges of exploiting information and communication technology and e-commerce (ECA);
- Emerging issues in private sector development: Enhancing the competitiveness of SMEs (ECA);
- Strengthening regional integration in Africa (OAU).

8. After reviewing the discussions of each of the above papers, the Conference endorsed the pertinent recommendations and made the following additional comments:

9. In discussing **strategies and mechanisms for the industrial development of Africa**, it was suggested that consideration be given to the establishment of an African Industrial Development Fund, including venture capital facilities, in order to address the financing needs of African enterprises.

10. The Ministers discussed the **sustainability of CAMI**, and welcomed the proposal of the UNIDO Director-General to have a subregional approach to CAMI activities. To this end, with the support of UNIDO, meetings of CAMI subregions would be organized to articulate common industrial policies and strategies for funds mobilization. They also underlined the crucial role of the Conference as a regional platform for industrial cooperation, dialogue and partnership among African countries.

11. The meeting unanimously insisted on the continuation of CAMI and requested the Joint Secretariat and the Bureau of CAMI XV to undertake consultations with other relevant bodies, e.g. the African Union, the New Partnership for African Development, the Patrons Group of the Alliance for Africa's Industrialization (AAI).

12. With regard to **opportunities for and challenges of exploiting information and communication technologies and e-commerce in Africa**, it was suggested that the feasibility of setting up an African industrial gateway be examined in order to promote technology diffusion, investment and sharing of best practices.

13. On **competitiveness of SMEs in Africa**, the important role of micro-enterprises in job creation and poverty alleviation was recognized.

14. On **strengthening regional integration in Africa**, the Conference urged the African countries to eliminate all forms of discrimination and technical barriers.

Resolutions

15. Three main resolutions were adopted by the Conference, the complete text of which is available upon request from the documents distribution counter:

Resolution 1 (XV)	Industrialization of Africa
Resolution 2 (XV)	Sustainability of CAMI AAI
Resolution 3 (XV)	New strategies and mechanisms for the industrial development of Africa.

Venue of CAMI XVI

16. The proposal of Madagascar to host CAMI XVI was unanimously accepted by the Conference. A suitable date will be submitted to a forthcoming Bureau meeting.

II. ACTION REQUIRED OF THE CONFERENCE

17. The Conference may wish to take note of the information provided in the present document.

[UNIDO/]
GC.9/16

Readex
Fiche

Distr.
GENERAL

GC.9/16
3 December 2001

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

GENERAL CONFERENCE

Ninth session
Vienna, 3-7 December 2001

LISTS OF STATES INCLUDED IN ANNEX I TO THE CONSTITUTION OF UNIDO

Note by the Secretariat

1. Reference is made to the Lists of States included by the Depositary in Annex I to the Constitution of UNIDO, contained in document UNIDO/GC.1/3. According to Annex I to the Constitution, the Lists of States to be included by the Depositary (Secretary-General of the United Nations) in that Annex are the lists determined by the General Assembly of the United Nations for the purpose of section II, paragraph 4, of General Assembly resolution 2152 (XXI), as in effect on the date the Constitution entered into force, namely on 21 June 1985.

2. As of 3 December 2001, 169 States were Members of UNIDO. Of these, 167 are shown in the Lists of States to be included by the Depositary in Annex I to the Constitution (see overleaf). The following 2 States have become Members of UNIDO but are not yet included in any of those lists:

State	Date of accession
Tajikistan	9 June 1993
Turkmenistan	16 February 1995

Pursuant to paragraph 1 of Annex I to the Constitution, if a State not listed in any of those lists becomes a Member of UNIDO, the General Conference shall decide, after appropriate consultations, in which of those lists it is to be included. The matter was brought to the attention of the Conference at its ninth session for consideration.

3. The present note supersedes document IDB.24/23.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.01-89223 (E)

Distr.: 4 December 2001

A. States from List A of document UNIDO/GC.1/3

Afghanistan
Algeria
Angola
Bahrain
Bangladesh
Benin
Bhutan
Botswana
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
China
Comoros
Congo
Côte d'Ivoire
Democratic People's Republic of Korea
Democratic Republic of the Congo
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Jordan
Kazakhstan
Kenya
Kuwait
Kyrgyzstan
Lao People's Democratic Republic
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Maldives
Mali
Mauritania
Mauritius
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Pakistan
Papua New Guinea
Philippines
Qatar
Republic of Korea
Rwanda
Sao Tome and Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Sri Lanka
Sudan
Swaziland
Syrian Arab Republic
Thailand
Togo
Tonga
Tunisia
Uganda
United Arab Emirates
United Republic of Tanzania
Uzbekistan
Vanuatu
Viet Nam
Yemen
Zambia
Zimbabwe

B. States from List B of document UNIDO/GC.1/3

Austria
Belgium
Cyprus
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland

C. States from List C of document UNIDO/GC.1/3

Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

D. States from List D of document UNIDO/GC.1/3

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Georgia
Hungary
Lithuania
Poland
Republic of Moldova
Romania
Russian Federation
Slovakia
Slovenia
The former Yugoslav Republic of Macedonia
Ukraine
Yugoslavia

[UNIDO/]
GC.9/17

Readex
Fiche

Distr.
GENERAL

GC.9/17
6 December 2001

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

GENERAL CONFERENCE

Ninth session
Vienna, 3-7 December 2001

REPORT OF THE MAIN COMMITTEE

Submitted by the Chairman of the Main Committee,
Mr. Claudio Moreno (Italy)

1. The Main Committee held two meetings during the period 4-6 December 2001. The present report reflects developments as of Thursday, 6 December 2001, 6 p.m. A third meeting of the Committee was announced for Friday, 7 December 2001, at 10 a.m.

2. The Committee elected the following Vice-Persons: Mr. J. Melaga (Cameroon), Mr. A. Zsigmond (Hungary), Mrs. O. Pellicer Silva (Mexico), Mr. U.W. Thein (Myanmar).

3. In accordance with the mandate given to it by the General Conference, the Committee considered agenda items 7 to 17 and 19. Draft decisions and resolutions on items 9, 10 (a) to 10 (e), 11, 12, 14, 15, 16 and 19 were considered.

4. Consensus was reached during the meeting on 4 December 2001 on nine draft decisions or resolutions under items 10 (b) to (e), 14 to 16, and 19. With the aim of achieving consensus, the following items were discussed informally:

Item 10 (a)—Scale of assessments of Member States (under the guidance of Vice-Chairman Mr. A. Zsigmond, Hungary)

Item 10 (f)—Appointment of an external auditor (under the guidance of Mr. P. Hosseini, President of the Industrial Development Board)

Item 11—Medium-term programme framework, 2002-2005 (under the guidance of Vice-Chairperson Mrs. Pellicer Silva).

5. At its meeting on 6 December 2001, the Chairpersons of the informal working groups on the scale of assessments and the medium-term programme framework, 2002-2005, reported on progress made, and the Committee agreed to continue both informal working groups with a view to achieving consensus.

6. Concerning item 10 (f), appointment of an external auditor, the Committee was informed that the three candidatures remained valid and that the matter would be referred to plenary with the expectation of voting.

7. The present report will be updated orally during the seventh plenary meeting, on 7 December 2001.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.01-89432 (E)

Distr.: 7 December 2001